

City of Baxter

Independent Accountant's Examination Report

For the period
July 1, 2012 through June 30, 2013

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City of Baxter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stephen C. Smith	Mayor	Jan 2014
Bryan DeJong	Mayor Pro Tem	Jan 2014
Todd England	Council Member	Jan 2016
Larry Hesson	Council Member	Jan 2016
Kelly Milligan	Council Member	Jan 2014
Dan Kunkel	Council Member	Jan 2014
Peg Kimberley	Clerk	Indefinite
John Billingsley	Attorney	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Baxter pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Baxter for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduce TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.196(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Baxter, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Baxter, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Baxter and other parties to whom the City of Baxter may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Baxter during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
May 1, 2014

Detailed Recommendations

City of Baxter

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (1) Cash - handling, reconciling and recording.
 - (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (4) Payroll - record keeping, preparation and distribution.
 - (5) Utilities - billing, collecting, depositing and posting.
 - (6) Financial reporting - preparing and reconciling.
 - (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the city should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Business Transactions - During the year ended June 30, 2013, the City purchased goods and services from the following City officials:

Bryan DeJong - Council member and owner of Baxter Oil Company - \$13,965.21.

Kelly Milligan - Past council member - Kelter Incorporated - \$440.80.

Recommendation - Since the payments to Baxter Oil Company are in excess of \$2,500. They may be in violation of Chapter 362.5 (11) of the Code of Iowa. While this is the only vendor for these services within the City, alternate shopping for the services should be obtained to assure the best prices are obtained for the City.

City of Baxter

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a monthly delinquent account listing was not prepared.

Recommendation - A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or another independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (D) State of Iowa Financial Report - The budget figures reported are the original budget, thereby incorrectly showing over budget in the public works and general government areas.

Recommendation - The amended budget figures should be reported in order to show the correct comparison to actual expenditures. The City was in compliance with the certified budget as amended.

- (E) Transfers - A list of all fund transfers during the year is not maintained.

Recommendation - A listing of all fund transfers should be established and approved by resolution and approved in the minutes.

- (F) Disbursements - Disbursements examined did not have documentation of approval for payment. There is no indication of department approval or receipt on the items billed.

Recommendation - All invoices should be documented as to receipt and approval by department originating the purchase before payment is made.

- (G) Check Signing - It was noted that all checks are signed by the Mayor by the use of a signature stamp. The person in charge of the mayor's stamp is also the person who manually signs the checks. The use of the stamp, therefore, defeats the purpose of having dual signatures.

Recommendation - The Mayor should manually sign the checks as he reviews the supportive documentation. This will add a second check on the accuracy of the payments.